

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CIAE-00 COME-00 INR-07  
LAB-04 NSAE-00 SIL-01 TRSE-00 IGA-02 SP-02 L-03  
DODE-00 PA-01 USIA-06 PRS-01 OMB-01 OPIC-03 /052 W  
-----086986 061851Z /41

R 061634Z JAN 78

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 4294

INFO AMCONSUL OPORTO

C O N F I D E N T I A L LISBON 0140

E.O. 11652: GDS

TAGS: EINV, PO

SUBJECT: ITT NEGOTIATIONS

REF: 77 LISBON 4043

1. LONG QUIESCENT GOP/ITT NEGOTIANS SURFACED RECENTLY  
IN PORTUGUESE PRESS WITH REPORT THAT GOP HAS AUTHORIZED  
LOCAL ITT SUBSIDIARIES TO REIMBURSE PARENT COMPANY  
DOLS 12 MILLION FOR ACCRUED DEBTS. GOP COUNCIL OF MINISTERS  
REPORTEDLY APPROVED DECISION IN LATE OCTOBER, AND FIRST  
INSTALLMENT OF DOLS 3.3 MILLION IS ABOUT TO BE MADE.

2. COUNCIL OF MINISTERS DECISION FALLS WITHIN CONTEXT OF  
MAY 1977 GOP/ITT FRAMEWORK AGREEMENT (REFTEL) PROVIDING FOR  
CASE-BY-CASE RESOLUTION OF PROBLEMS AFFECTING ITT  
PORTUGUESE SUBSIDIARIES (IMPRIMARTE, STANDARD ELECTRIC,  
OLIVA, RABOR, HOTEL SHERATON, SHARATON OVERSEAS MANAGEMENT  
CORPORATION). AGREEMENT REACHED WITH IMPRIMARTE IN  
SEPTEMBER 1977 PROVIDES FOR LONG-TERM CONTRACTS TO PRINT  
PHONE DIRECTORIES. NEGOTIATIONS ON REMAINING SUBSIDIARIES  
CONTINUING. MOST DIFFICULT CASE IS THAT OF STANDARD  
ELECTRIC, WHOSE SEMICONDUCTOR DIVISION IS OPERATING AT  
HEAVY LOSS DUE TO SHARPLY WEAKENED INTERNATIONAL MARKET.  
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MANAGEMENT WOULD LIKE TO TRIM CURRENT WORK FORCE OF 900 TO  
APPROXIMATELY 300-400, BUT CANNOT DO SO WITHOUT GOP  
CONCURRENCE. THIS SINGLE QUESTION REMAINS THORNIEST ISSUE  
OF GOP/ITT NEGOTIATIONS.

3. THE DOLS 12 MILLION DEBT PAYMENT AUTHORIZED BY COUNCIL  
OF MINISTERS IS TO BE MADE IN 3 INSTALLMENTS OF DOLS 3.3 MILLION

EACH OVER NEXT 2 YEARS AND A FINAL INSTALLMENT OF DOLS 2.1 MILLION IN 1980. HALF OF INITIAL DOLS 3.3 MILLION PAYMENT, WHICH IS RESPONSIBILITY OF STANDARD ELECTRIC AND SHERATOR HOTEL, TO BE FINANCED BY PORTUGUESE BANKING SYSTEM. REMAINING DOLS 1.65 MILLION, FOR WHICH IMPRIMARTE AND SHERATON OVERSEAS MANAGEMENT CORPORATION ARE RESPONSIBLE, WILL BE PAID DIRECTLY BY THOSE FIRMS. AGREEMENT CALLS ALSO FOR SIGNING OF VIABILITY CONTRACTS, WHEREBY ADDITIONAL PORTUGUESE FINANCING WILL ENABLE SHERATOR HOTEL, STANDARD ELECTRIC AND OLIVA TO CONSOLIDATE THEIR DEBTS INTO A MANAGEABLE STRUCTURE.

4. COMMENT: JANUARY 4 AND 5 ISSUES OF LISBON COMMUNIST DAILY "O DIARIO" CONTAIN SCATHING REPORTS ON THE AGREEMENT, CHARACTERIZING IT AS "SCANDAL OF ENORMOUS DIMENSIONS." "O DIARIO'S" EXTREME TONE IS INDICATIVE OF HEAVY LEFTIST CRITICISM BEING DIRECTED AT GOP ATTEMPTS TO RESOLVE AMICABLY LONG-PENDING DISPUTES WITH FOREIGN COMPANIES SUCH AS ITT. THIS CRITICISM IS PARTICULARLY CUTTING GIVEN PORTUGAL'S BALANCE OF PAYMENTS PROBLEMS AND WEAK LABOR MARKET BECAUSE SETTLEMENTS NORMALLY INVOLVE PAYMENT REMITTANCES AND POSSIBILITY OF WORKER DISMISSALS.  
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## Message Attributes

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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
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